

AMENDED IN SENATE JULY 21, 2001

AMENDED IN ASSEMBLY MAY 23, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 426

Introduced by ~~Committee on Budget (Cardenas (Chair), Aroner, Cardoza, Cedillo, Dutra, Firebaugh, Horton, Keeley, Nakano, Oropeza, Pavley, Simitian, Steinberg, Vargas, and Wright)~~
Assembly Members Cardoza, Matthews, Briggs, and Dickerson
(*Coauthors: Assembly Members Cardenas, Cedillo, Dutra, Florez, Keeley, Kelley, Negrete McLeod, Pescetti, Reyes, Salinas, Strom-Martin, Thomson, and Wiggins*)
(*Coauthors: Senators Costa, Johannessen, Machado, McPherson, and Monteith*)

February 20, 2001

~~An act relating to the administration of state government. An act to amend Sections 6353, 20543, and 20544 of, to add Sections 6051.45, 6201.45, 6356.5, 6356.6, and 6358.5 to, and to add and repeal Section 6357.1 of, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 426, as amended, ~~Committee on Budget~~ Cardoza. ~~State administration~~ Taxation.

The Sales and Use Tax Law provides for the levy of a state sales and use tax at a basic rate of 6% upon the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law imposes, as a component of that

basic rate, a state sales and use tax a rate of $\frac{1}{4}\%$, but suspends the imposition of that $\frac{1}{4}\%$ rate for any single calendar year for which the amount in the Special Fund for Economic Uncertainties exceeds a specified amount in both the prior and current fiscal year, as determined and certified by the Director of Finance.

This bill would suspend the $\frac{1}{4}\%$ rate in any calendar year beginning January 1, 2002, in which the Director of Finance determines on or before the preceding November 1 that (1) the General Fund reserve is 3% of revenues excluding the revenues derived from the $\frac{1}{4}\%$ sales and use tax rate, and (2) actual General Fund revenues for the period May 1 through September 30 equal or exceed the May Revision forecast prior to the November 1 determination.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for gas, electricity, and water, including steam and geothermal steam, brines, and heat, when delivered to consumers, as specified.

This bill would additionally exempt liquefied petroleum gas, delivered to a qualified residence, as defined, by the seller, that is sold for household use in the qualified residence, and liquefied petroleum gas that is purchased for use by a qualified person to be used in producing and harvesting agricultural products.

This bill would also exempt farm equipment and machinery, purchased for use by a qualified person, as defined, to be used primarily in producing and harvesting of agricultural products.

This bill would further exempt equipment and machinery designed primarily for off-road use in commercial timber harvesting operations, and the parts thereof, that is purchased for use by a qualified person, as defined, to be used primarily in harvesting timber.

This bill would also exempt diesel fuel used by a qualified person, as defined, in farming activities and food processing.

This bill would additionally exempt any racehorse breeding stock, as defined, from the sales and use taxes.

This bill would provide that certain of these exemptions do not apply to local sales or transactions and use tax rates and certain state rates imposed for the funding of locally provided services.

The Gonsalves-Deukmejian-Petris Senior Citizens Property Tax Assistance Law provides for payment of assistance by the Franchise Tax Board to claimants, whether those claimants own or rent their

residences, in accordance with schedules that reduce the amount of assistance provided as the amount of a claimant's household income increases along a specified scale of household income amounts.

This bill would increase by 45% the household income figures that would be used to calculate these assistance payments for the 2001 calendar year and each calendar year thereafter.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are, unless otherwise specified by law, incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would declare that it is to take effect immediately as an urgency statute.

~~This bill would declare the intent of the Legislature to make the necessary statutory changes to implement the Budget Act of 2001 relative to funding the administration of state government.~~

Vote: ~~majority~~ $\frac{2}{3}$. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: ~~no~~ yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. It is the intent of the Legislature in enacting this~~
- 2 SECTION 1. Section 6051.45 is added to the Revenue and
- 3 Taxation Code, to read:
- 4 6051.45. Notwithstanding 6051.4 or any other provision of
- 5 law, the state sales tax rate in Section 6051.3 shall not be operative
- 6 in any calendar year beginning on or after January 1, 2002, if the
- 7 Director of Finance determines both of the following:
- 8 (a) The General Fund reserve is 3 percent of revenues
- 9 excluding the revenues derived from the $\frac{1}{4}$ cent sales and use tax
- 10 rate.
- 11 (b) Actual General Fund revenues for the period May 1 through
- 12 September 30 equal or exceed the May Revision forecast, prior to
- 13 the November 1 determination.

1 *The Director of Finance shall make the determination on or*
2 *before November 1 of each year.*

3 *The 1/4 cent reduction shall be operative for each calendar year*
4 *commencing on the next January 1 after the determination is*
5 *made.*

6 SEC. 2. *Section 6201.45 is added to the Revenue and Taxation*
7 *Code, to read:*

8 6201.45. *Notwithstanding 6201.4 or any other provision of*
9 *law, the state use tax rate in Section 6201.3 shall not be operative*
10 *in any calendar year beginning on or after January 1, 2002, if the*
11 *Director of Finance determines both of the following:*

12 (a) *The General Fund reserve is 3 percent of revenues*
13 *excluding the revenues derived from the 1/4 cent sales and use tax*
14 *rate.*

15 (b) *Actual General Fund revenues for the period May 1 through*
16 *September 30 equal or exceed the May Revision forecast, prior to*
17 *the November 1 determination.*

18 *The Director of Finance shall make the determination on or*
19 *before November 1 of each year.*

20 *The 1/4 cent reduction shall be operative for each calendar year*
21 *commencing on the next January 1 after the determination is*
22 *made.*

23 SEC. 3. *Section 6353 of the Revenue and Taxation Code is*
24 *amended to read:*

25 6353. There are exempted from the taxes imposed by this part
26 the gross receipts *derived* from the sales, furnishing, or service of
27 and the storage, use, or other consumption in this state of ~~gas~~, *all*
28 *of the following:*

29 (a) *Gas, electricity, and water, including steam and geothermal*
30 *steam, brines, and heat, when delivered to consumers through*
31 *mains, lines, or pipes, ~~and water.~~*

32 (b) (1) *Liquefied petroleum gas, delivered to a qualified*
33 *residence by the seller, that is sold for household use in the*
34 *qualified residence, or liquefied petroleum gas that is purchased*
35 *for use by a qualified person to be used in producing and*
36 *harvesting agricultural products; provided, in either case, the*
37 *liquefied petroleum gas is delivered into a tank with a storage*
38 *capacity for liquefied petroleum gas that is equal to or greater than*
39 *30 gallons. This subdivision may not be construed to provide any*

1 *exemption from any tax levied by a city, county, or city and county*
2 *pursuant to Section 7284.3, or any successor to that section.*

3 *(2) For purposes of this subdivision:*

4 *(A) "Qualified residence" means a primary residence, not*
5 *served by gas mains and pipes.*

6 *(B) "Qualified person" means any person engaged in a line of*
7 *business described in Codes 0111 to 0291, inclusive, of the*
8 *Standard Industrial Classification Manual published by the*
9 *United States Office of Management and Budget, 1987 Edition,*
10 *and any other person that assists that person in the lines of*
11 *business described in this paragraph in producing and harvesting*
12 *agricultural products.*

13 *(c) Water, when sold to an individual in bulk quantities of 50*
14 *gallons or more, for general household use in his or her residence*
15 *if the residence is located in an area not serviced by mains, lines*
16 *or pipes, and of exhaust.*

17 *(d) Exhaust steam, waste steam, heat, or resultant energy,*
18 *produced in connection with cogeneration technology, as defined*
19 *in Section 25134 of the Public Resources Code.*

20 *(e) The exemptions provided by subdivision (b) shall be*
21 *effective starting September 1, 2001, unless the State Board of*
22 *Equalization determines that implementation by that date is not*
23 *feasible, in which case the board shall, on or before that date,*
24 *report to the Legislature regarding the reasons why it must delay*
25 *implementation, and shall thereafter implement these exemptions*
26 *no later than October 1, 2001.*

27 *SEC. 4. Section 6356.5 is added to the Revenue and Taxation*
28 *Code, to read:*

29 *6356.5. (a) There are exempted from the taxes imposed by*
30 *this part the gross receipts from the sale of, and the storage and use*
31 *of, or other consumption in this state of, farm equipment and*
32 *machinery, and the parts thereof, purchased for use by a qualified*
33 *person to be used primarily in producing and harvesting*
34 *agricultural products.*

35 *(b) For purposes of this section, both of the following shall*
36 *apply:*

37 *(1) "Qualified person" means any person engaged in a line of*
38 *business described in Codes 0111 to 0291, inclusive, of the*
39 *Standard Industrial Classification Manual published by the*
40 *United States Office of Management and Budget, 1987 Edition,*

1 and any other person that uses farm equipment and machinery to
2 assist this person in the lines of business described in this
3 paragraph in producing and harvesting agricultural products.

4 (2) “Farm equipment and machinery” means implements of
5 husbandry, as defined in Section 411.

6 (c) (1) Notwithstanding any provision of the Bradley-Burns
7 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with
8 Section 7200)) or the Transactions and Use Tax Law (Part 1.6
9 (commencing with Section 7251)), the exemption established by
10 this section does not apply with respect to any tax levied by a
11 county, city, or district pursuant to, or in accordance with, either
12 of those laws.

13 (2) Notwithstanding subdivision (a), the exemption established
14 by this section does not apply with respect to any tax levied
15 pursuant to Sections 6051.2 and 6201.2, or pursuant to Section 35
16 of Article XIII of the California Constitution.

17 (d) The exemption provided by this section shall be effective
18 starting September 1, 2001, unless the State Board of Equalization
19 determines that implementation by that date is not feasible, in
20 which case the board shall, on or before that date, report to the
21 Legislature regarding the reasons why it must delay
22 implementation, and shall thereafter implement the exemption
23 provided by this section no later than October 1, 2001.

24 SEC. 5. Section 6356.6 is added to the Revenue and Taxation
25 Code, to read:

26 6356.6. (a) There are exempted from the taxes imposed by
27 this part the gross receipts from the sale of, and the storage and use
28 of, or other consumption in this state of, equipment and machinery
29 designed primarily for off-road use in commercial timber
30 harvesting operations, and the parts thereof, that is purchased for
31 use by a qualified person to be used primarily in harvesting timber.

32 (b) The State Board of Equalization may adopt emergency
33 regulations to specify equipment and machinery exempted by this
34 section, and may revise those regulations from time to time.

35 (c) For purposes of this section, “qualified person” means any
36 person engaged in commercial timber harvesting.

37 (d) (1) Notwithstanding any provision of the Bradley-Burns
38 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with
39 Section 7200)) or the Transactions and Use Tax Law (Part 1.6
40 (commencing with Section 7251)), the exemption established by

1 *this section does not apply with respect to any tax levied by a*
2 *county, city, or district pursuant to, or in accordance with, either*
3 *of those laws.*

4 *(2) Notwithstanding subdivision (a), the exemption established*
5 *by this section does not apply with respect to any tax levied*
6 *pursuant to Section 6051.2 and 6201.2, or pursuant to Section 35*
7 *of Article XIII of the California Constitution.*

8 *(e) The exemption provided by this section shall be effective*
9 *starting September 1, 2001, unless the State Board of Equalization*
10 *determines that implementation by that date is not feasible, in*
11 *which case the board shall, on or before that date, report to the*
12 *Legislature regarding the reasons why it must delay*
13 *implementation, and shall thereafter implement the exemption*
14 *provided by this section no later than October 1, 2001.*

15 *SEC. 6. Section 6357.1 is added to the Revenue and Taxation*
16 *Code, to read:*

17 *6357.1. (a) There are exempted from the taxes imposed by*
18 *this part, the gross receipts from the sale in this state of, and the*
19 *storage, use, or other consumption in this state of, diesel fuel used*
20 *in farming activities and food processing. This section shall be*
21 *implemented as soon as possible, but in no case later than*
22 *September 1, 2001.*

23 *(b) For purposes of this section, "farming activities" has the*
24 *same meaning as "farming business" as set forth in Section 263A*
25 *of the Internal Revenue Code. "Farming activities" also includes*
26 *the transportation and delivery of farm products to the*
27 *marketplace.*

28 *(c) The exemption established by this section does not apply*
29 *with respect to either of the following:*

30 *(1) A tax imposed under the Bradley-Burns Uniform Local*
31 *Sales and Use Tax Law (Part 1.5 (commencing with Section 7200))*
32 *or in accordance with the Transactions and Use Tax Law (Part 1.6*
33 *(commencing with Section 7251)).*

34 *(2) A tax imposed under Section 6051.2 or 6201.2, or under*
35 *Section 35 of Article XIII of the California Constitution.*

36 *SEC. 7. Section 6358.5 is added to the Revenue and Taxation*
37 *Code, to read:*

38 *6358.5. (a) (1) There are exempted from the taxes imposed*
39 *by this part, the gross receipts from the sale in this state of, and the*

1 storage, use, or other consumption in this state of, any racehorse
2 breeding stock.

3 (2) For purposes of this section “racehorse breeding stock”
4 means a horse that is capable of reproduction and for which the
5 purchaser states that it is the purchaser’s sole intent to use the
6 horse for breeding purposes.

7 (b) (1) Notwithstanding any provision of the Bradley-Burns
8 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with
9 Section 7200)) or the Transactions and Use Tax Law (Part 1.6
10 (commencing with Section 7251)), the exemption established by
11 this section does not apply with respect to any tax levied by a
12 county, city, or district pursuant to, or in accordance with, either
13 of those laws.

14 (2) The exemption established by this section does not apply
15 with respect to any tax levied pursuant to either Section 6051.2 or
16 6201.2, or pursuant to Section 35 of Article XIII of the California
17 Constitution.

18 (c) The exemption provided by this section shall be effective
19 starting September 1, 2001, unless the State Board of Equalization
20 determines that implementation by that date is not feasible, in
21 which case the board shall, on or before that date, report to the
22 Legislature regarding the reasons why it must delay
23 implementation, and shall thereafter implement the exemption
24 provided by this section no later than October 1, 2001.

25 SEC. 8. Section 20543 of the Revenue and Taxation Code is
26 amended to read:

27 20543. (a) (1) The amount of assistance for a claimant
28 owning his or her residential dwelling shall be based on claimant’s
29 household income for the period set forth in Section 20503.

30 (2) Except as provided in paragraph (3), the percentage of
31 assistance for which each claimant owning his or her residential
32 dwelling shall be eligible shall be based on the following scale:

33		
34		The percentage of tax on the first
35		\$34,000 of full value (as de-
36	If the total household income (as defined	termined for tax purposes)
37	in this part) is not more than:	used to provide assistance is:
38	\$3,300	96%
39	3,520	94
40	3,740	92

1	3,960	90
2	4,180	88
3	4,400	86
4	4,620	84
5	4,840	82
6	5,060	80
7	5,280	78
8	5,500	76
9	5,720	73
10	5,940	69
11	6,160	65
12	6,380	61
13	6,600	57
14	6,820	53
15	7,040	49
16	7,260	45
17	7,480	41
18	7,700	37
19	7,920	34
20	8,140	31
21	8,360	28
22	8,580	25
23	8,800	22
24	9,020	20
25	9,240	18
26	9,460	16
27	9,680	14
28	9,900	12
29	10,450	10
30	11,000	8
31	11,550	7
32	12,100	6
33	12,650	5
34	13,200	4

(3) For claims filed with respect to the 2000 calendar year, the percentage of assistance for which each claimant owning his or her residential dwelling shall be eligible shall be based on the following scale:

1		The percentage of tax on the first
2		\$34,000 of full value (as de-
3	If the total household income (as defined	termined for tax purposes)
4	in this part) is not more than:	used to provide assistance is:
5	\$8,498	240%
6	9,065	235
7	9,631	230
8	10,198	225
9	10,765	220
10	11,331	215
11	11,897	210
12	12,464	205
13	13,031	200
14	13,598	195
15	14,164	190
16	14,730	183
17	15,297	173
18	15,864	163
19	16,430	153
20	16,997	143
21	17,563	133
22	18,129	123
23	18,697	113
24	19,263	103
25	19,830	93
26	20,396	85
27	20,962	78
28	21,530	70
29	22,096	63
30	22,662	55
31	23,229	50
32	23,795	45
33	24,362	40
34	24,929	35
35	25,495	30
36	26,912	25
37	28,328	20
38	29,745	18
39	31,161	15



1	32,578	13
2	33,993	10

3

4 (b) (1) With respect to assistance that is provided by the
 5 Franchise Tax Board pursuant to this chapter for the 1999 calendar
 6 year, the household income figures set forth in paragraph (2) of
 7 subdivision (a) shall be multiplied by a factor of 2.51.

8 (2) *With respect to assistance that is provided by the Franchise*
 9 *Tax Board pursuant to this chapter for the 2001 calendar year and*
 10 *each calendar year thereafter, the adjusted household income*
 11 *figures required to be applied under subdivision (c) shall be*
 12 *multiplied by a factor of 1.45.*

13 (c) With respect to assistance that is provided by the Franchise
 14 Tax Board pursuant to this chapter for the ~~2000~~ 2001 calendar year
 15 and each year thereafter, the household income figures that apply
 16 to assistance provided by the Franchise Tax Board during that
 17 period shall, *subject to further adjustment as may be required by*
 18 *subdivision (b), be the household income figures that applied, or*
 19 *would have applied in the absence of paragraph (3) of subdivision*
 20 *(a), to assistance provided by the Franchise Tax Board in the same*
 21 *period in the immediately preceding year, multiplied by an*
 22 *inflation factor calculated as follows:*

23 (1) On or before February 1 of each year, the Department of
 24 Industrial Relations shall transmit to the Franchise Tax Board the
 25 percentage change in the California Consumer Price Index for all
 26 items from June of the second preceding calendar year to June of
 27 the immediately preceding calendar year.

28 (2) The Franchise Tax Board shall add 100 percent to the
 29 percentage change figure that is furnished pursuant to paragraph
 30 (1) and divide the result by 100.

31 (3) The Franchise Tax Board shall multiply the immediately
 32 preceding household income figure by the inflation adjustment
 33 factor determined in paragraph (2), and round off the resulting
 34 product to the nearest one dollar (\$1).

35 *SEC. 9. Section 20544 of the Revenue and Taxation Code is*
 36 *amended to read:*

37 20544. (a) (1) The amount of assistance for a claimant
 38 renting his or her residence shall be based on the claimant's
 39 household income for the time period set forth in Section 20503.



(2) Except as provided in paragraph (3), the percentage of assistance for which each claimant renting his or her residence shall be eligible shall be based on the following scale:

		The statutory property tax equivalent is:	The percentage of the statutory property tax equivalent used to provide assistance is:
6	If the total household		
7	income (as defined in this		
8	part) is not more than:		
9	\$3,300	\$250	96%
10	3,520	250	94
11	3,740	250	92
12	3,960	250	90
13	4,180	250	88
14	4,400	250	86
15	4,620	250	84
16	4,840	250	82
17	5,060	250	80
18	5,280	250	78
19	5,500	250	76
20	5,720	250	73
21	5,940	250	69
22	6,160	250	65
23	6,380	250	61
24	6,600	250	57
25	6,820	250	53
26	7,040	250	49
27	7,260	250	45
28	7,480	250	41
29	7,700	250	37
30	7,920	250	34
31	8,140	250	31
32	8,360	250	28
33	8,580	250	25
34	8,800	250	22
35	9,020	250	20
36	9,240	250	18
37	9,460	250	16
38	9,680	250	14
39	9,900	250	12
40	10,450	250	10

1	11,000	250	8
2	11,550	250	7
3	12,100	250	6
4	12,600	250	5
5	13,200	250	4

6

7 (3) For claims filed with respect to the 2000 calendar year, the
8 percentage of assistance for which each claimant renting his or her
9 residence shall be eligible shall be based on the following scale:

10

11

12	If the total household	The statutory	The percentage of the
13	income (as defined in this	property tax	statutory property tax
14	part) is not more than:	equivalent is:	equivalent used to
15			provide assistance is:
15	\$8,498	\$625	96%
16	9,065	625	94
17	9,631	625	92
18	10,198	625	90
19	10,765	625	88
20	11,331	625	86
21	11,897	625	84
22	12,464	625	82
23	13,031	625	80
24	13,598	625	78
25	14,164	625	76
26	14,730	625	73
27	15,297	625	69
28	15,864	625	65
29	16,430	625	61
30	16,997	625	57
31	17,563	625	53
32	18,219	625	49
33	18,697	625	45
34	19,263	625	41
35	19,830	625	37
36	20,396	625	34
37	20,962	625	31
38	21,530	625	28
39	22,096	625	25
40	22,662	625	22



1	23,229	.....	625	.....	20
2	23,795	.....	625	.....	18
3	24,362	.....	625	.....	16
4	24,929	.....	625	.....	14
5	25,495	.....	625	.....	12
6	26,912	.....	625	.....	10
7	28,328	.....	625	.....	8
8	29,745	.....	625	.....	7
9	31,161	.....	625	.....	6
10	32,578	.....	625	.....	5
11	33,993	.....	625	.....	4

12

13 (b) (1) With respect to assistance that is provided by the
 14 Franchise Tax Board pursuant to this chapter for the 1999 calendar
 15 year, the household income figures set forth in paragraph (2) of
 16 subdivision (a) shall be multiplied by a factor of 2.51.

17 (2) *With respect to assistance that is provided by the Franchise*
 18 *Tax Board pursuant to this chapter for the 2001 calendar year and*
 19 *each calendar year thereafter, the adjusted household income*
 20 *figures required to be applied under subdivision (c) shall be*
 21 *multiplied by a factor of 1.45.*

22 (c) With respect to assistance that is provided by the Franchise
 23 Tax Board pursuant to this chapter for the ~~2000~~ 2001 calendar year
 24 and each year thereafter, the household income figures that apply
 25 to assistance provided by the Franchise Tax Board during that
 26 period shall, *subject to further adjustments as may be required by*
 27 *subdivision (b), be the household income figures that applied, or*
 28 *would have applied in the absence of paragraph (3) of subdivision*
 29 *(a), to assistance provided by the Franchise Tax Board in the same*
 30 *period in the immediately preceding year, multiplied by an*
 31 *inflation factor calculated as follows:*

32 (1) On or before February 1 of each year, the Department of
 33 Industrial Relations shall transmit to the Franchise Tax Board the
 34 percentage change in the California Consumer Price Index for all
 35 items from June of the second preceding calendar year to June of
 36 the immediately preceding calendar year.

37 (2) The Franchise Tax Board shall add 100 percent to the
 38 percentage change figure that is furnished pursuant to paragraph
 39 (1) and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding household income figure by the inflation adjustment factor determined in paragraph (2), and round off the resulting product to the nearest one dollar (\$1).

SEC. 10. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 11. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make the necessary statutory changes to implement the Budget Act of 2001, at the earliest possible time, it is necessary that this act go into immediate effect.

~~act to make the necessary statutory changes to implement the Budget Act of 2001 relative to funding the administration of state government.~~

